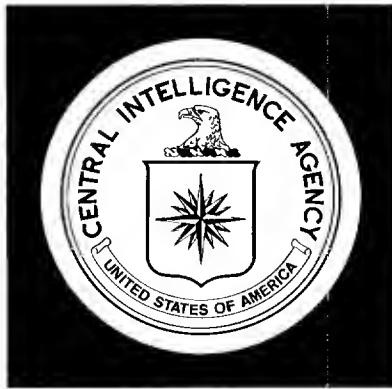


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CONTENTS

VIETNAM: Sharp fighting continues in the northern provinces. (Page 1)

JAPAN-US: Tokyo intends to boost imports from the US. (Page 2)

NATO-MBFR: Plans for talks on mutual and balanced force reductions are running into snags. (Page 3)

INDIA-PAKISTAN: High-level negotiators in New Delhi are trying to work out differences between the two countries. (Page 4)

25X1

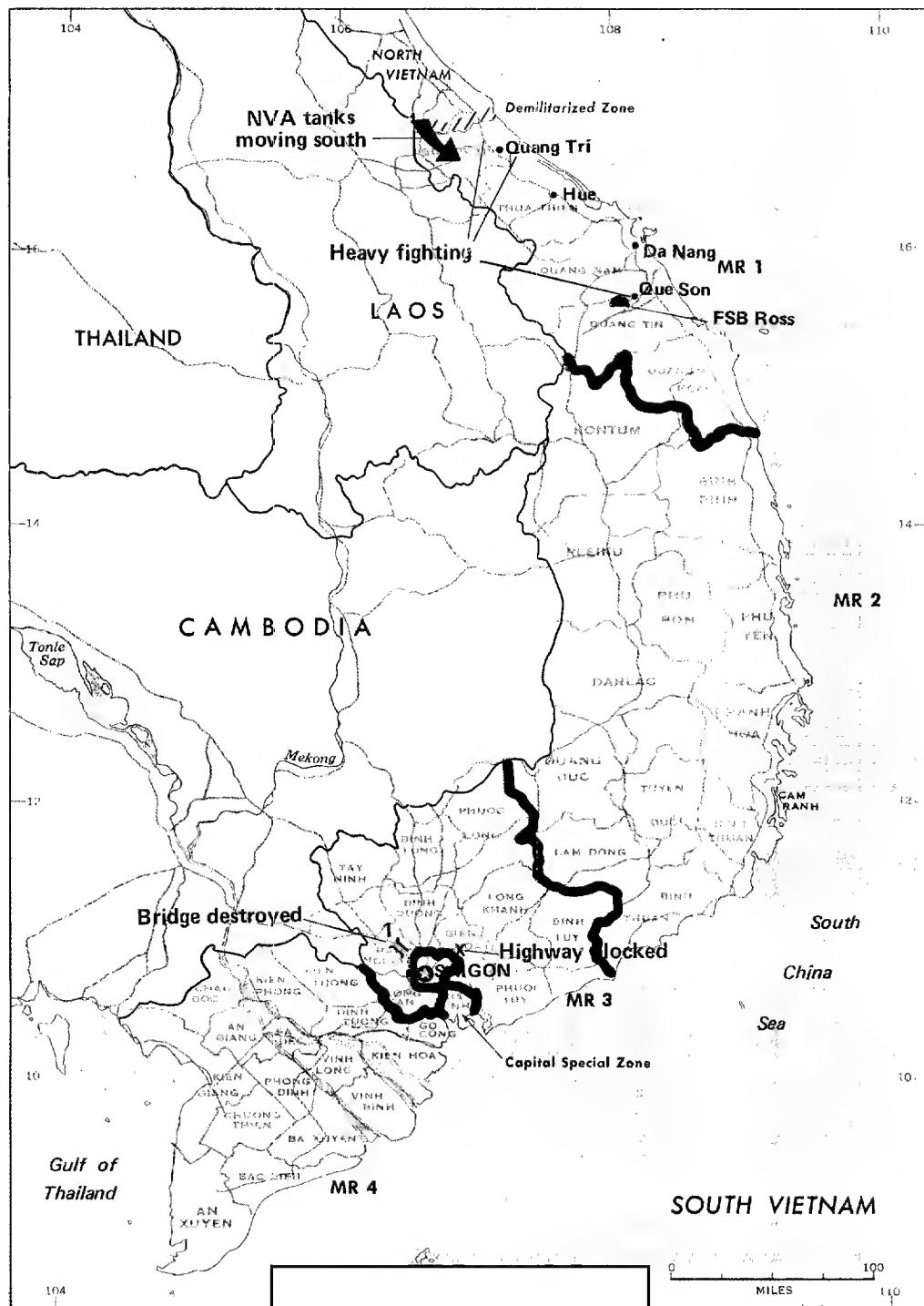
USSR-JAPAN: The Soviets have indicated willingness to begin peace treaty negotiations with the Japanese. (Page 6)

BOLIVIA: President Banzer relieves dissident army officers. (Page 7)

ARGENTINA-CHILE: The Argentine Government is smarting over Chile's decision not to extradite hijackers (Page 8)

HAITI: The Haitian economy has registered record gains (Page 8)

JORDAN: Elections may result in violent incidents (Page 9)



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25X1

 VIETNAM: Sharp fighting is taking place in Quang Tri and Quang Nam provinces as South Vietnamese forces try to regain lost territory.

In Quang Tri, South Vietnamese Marines have been encountering stiff enemy resistance to their probes north of Quang Tri City, and Airborne troops report a number of clashes to the south of the city. Enemy gunners continue to pump thousands of artillery and mortar rounds into government positions, and additional enemy armor has been spotted moving south toward the city.

In Quang Nam, a Ranger battalion is holding on in the district town of Que Son, and other South Vietnamese units are conducting limited clearing operations south of Fire Support Base Ross. New enemy attacks in the coastal plains of northern Quang Tin Province probably are aimed at spreading government forces thin.

In the southern half of the country, enemy action continues to consist largely of sapper attacks, isolated small-scale ground attacks, and sporadic shellings. Early yesterday, Communist sappers blew up a bridge some 13 miles northwest of Saigon and blocked a major highway northeast of the capital.

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JAPAN-US: Tokyo will offer a plan to boost imports from the US by \$750 million in conjunction with the Nixon-Tanaka talks later this week.

The package includes the proposed purchase of \$320 million in safeguarded enriched uranium and another \$320 million for aircraft and navigation equipment. The remainder consists of grain, coking coal, and gas turbines. Moreover, Tokyo is coupling an expected normal \$400-million increase in agricultural imports to the total in order to increase the psychological impact of the proposal. The purchases will have little effect on Japanese imports from the US this year, because delivery of most of these items will be spread out over a number of years. The US, however, will benefit immediately from a capital flow from Tokyo because the Japanese will prepay for the merchandise.

The Japanese have been considering these measures for more than two months and part of the package was presented at trade talks held late last month. Heated debate among the various ministries centered on quantities to be purchased and whether low-interest government loans would be provided to finance the imports.

Tanaka probably hopes this package will help meet his pledge to reduce Japan's trade surplus with the US to less than \$3 billion by next April, and at the same time avoid any steps that might adversely affect his prospects in elections this year or early next.

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NATO-MBFR: [Movement toward exploratory talks with the Warsaw Pact on mutual and balanced force reductions (MBFR), is now blocked on two fronts.]

Consultations in NATO are currently hung up by disagreement over participation in the talks. The five "flank states"--Italy, Greece, Turkey, Norway, and Denmark--believe that since MBFR has been an initiative of the entire alliance, all members who so desire should be represented. All the allies except France and the US now support a Turkish proposal to rotate representation among the five. The US has argued that participation should be limited to those countries with forces or territory involved, in effect excluding the flank states from a direct role.

[The US wants MBFR exploration talks to parallel preparations for a Conference on Security and Cooperation in Europe (CSCE), which Moscow has been seeking. Moscow is clearly aware of allied disarray on MBFR and probably believes that these difficulties give it a degree of flexibility regarding the recent US demarche urging agreement to start explorations.] V. V. Kuznetsov, the acting Soviet foreign minister, told Ambassador Beam last week that the US-Soviet summit communiqué did not imply a commitment to begin MBFR explorations in parallel with preparations for a security conference.

While Kuznetsov showed little enthusiasm for MBFR, he did not repudiate Soviet willingness to discuss it. Neither did he reject the possibility that MBFR explorations could parallel CSCE preparations. His main concern was to keep the former from becoming a new precondition for CSCE. Most of the NATO allies are willing to wait a short time to see if the Soviets will be more forthcoming. [Continued stonewalling, however, will build support in NATO for a further attempt to prod Moscow into opening MBFR explorations this fall. Even if Moscow stalls further, most of the allies would be unwilling to postpone CSCE preparations, which they expect to open in Helsinki in late November.]

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INDIA-PAKISTAN: High-level negotiations in New Delhi have bought more time for working out differences between the two countries, but the negotiators apparently made no significant progress on the basic issues.

According to the official joint statement, the deadline for mutual troop withdrawals has been extended ten days to 15 September. The Indians, who would have given up much the greater area, had decided against withdrawing pending progress on other issues. The Pakistanis had no means of forcing the Indians to meet the original deadline.

One ostensible reason for India's reluctance to withdraw was the lack of an agreement on the line of control in Kashmir. Military negotiators are now to delineate this line--the location of troops at the time of the cease-fire last December--by 4 September. The Pakistanis did not, however, agree to the Indian contention that the new cease-fire line eliminates the need for UN observers in Kashmir.

The Pakistanis satisfied another Indian concern about withdrawal by guaranteeing the safety of those Pakistanis--mainly Hindus--who remained in the occupied territory or fled to India during the war. The Pakistanis, however, have maintained that there was never any question of the refugees' safety.

The official statement mentions neither Pakistan's refusal to recognize Bangladesh nor New Delhi's refusal to repatriate the Pakistani prisoners of war without Dacca's approval. These two issues, nonetheless, are primarily responsible for the latest impasse, and could well continue to block progress toward any agreement.

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*USSR-Japan: The Soviets have formally indicated their willingness to begin peace treaty negotiations with Japanese officials of "a sufficiently high level" in Moscow at any time.

The timing of this move suggests that Moscow hoped to take some of the play away from Japan's forthcoming summit meetings with the US and China. The Japanese are unlikely, however, to show any real interest in starting talks until later this fall.

Preparatory negotiations on the treaty talks had been scheduled to begin in September. According to the Japanese minister in Moscow, the Soviet initiative has made these negotiations unnecessary. Tokyo, however, plans to do some further probing of Soviet attitudes when a Japanese parliamentary delegation visits Moscow in early September.

Japan's reluctance to begin formal talks stems in part from its basic suspicion of the Soviets and its current preoccupation with US-Japanese and Sino-Japanese relations. In addition, the Tanaka government, which is under no popular pressure to improve relations with the USSR, is hesitant to enter into talks without a clear prospect of success. The Japanese apparently are still uncertain about how Moscow will handle Japan's demand for the return of the Northern Territories--the four islands seized by the USSR after World War II--once peace treaty negotiations begin. Numerous Soviets have professed a willingness to compromise on this problem since Foreign Minister Gromyko first conceded that the question could be discussed last January. All of the suggested compromises have fallen well short of Japan's demand for the return of all four islands, however, and none of them has been conveyed at an authoritative level.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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BOLIVIA: President Banzer has acted to avert a potential threat from the right. 5

Second Army Division commander Colonel Juan Ayoroa has been relieved of his command, along with his chief of staff and the commander of an important subordinate Ranger unit. Ayoroa's loyalty to the coalition government has been in question since his intervention early this month in the public feud between his cousin, army engineer commander Colonel Jose Patino, and the Nationalist Revolutionary Movement (MNR). 4

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Patino, who was relieved of his command and later reinstated, may now again be removed, as may another cousin, Miguel, who commands the Santa Cruz Rangers and whom Ayoroa visited. 1, 2, 3

The Ayoroa clan apparently has failed to gain significant military support for its militantly anti-MNR stand. Its members are personally disliked by the middle-ranking officers who command key units in and around La Paz. 5

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NOTES

ARGENTINA-CHILE: Buenos Aires has expressed "deep displeasure" at Chilean President Allende's decision to send the terrorists who hijacked an airliner to Santiago two weeks ago to Cuba rather than back to Argentina. The recall of the Argentine ambassador to Chile was only the first step in retaliation, according to an Argentine Foreign Ministry source. The source said that Argentina intends to "tighten the screws" on Chile and may resort to economic sanctions. Argentina is an important supplier of meat and grain to Chile, where shortages have led to some belt-tightening in recent months. It seems unlikely that Argentina will go so far as to turn its back on an important trading partner or halt several bilateral projects beneficial to both countries, but President Lanusse's policy of dropping "ideological barriers" will suffer a major setback.

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HAITI: The economy registered a six-percent gain in 1971, the largest in almost a decade. Light industry and tourism led the way, reflecting, in part, Port-au-Prince's slowly improving image with tourists and foreign investors. The economic situation can be expected to show further moderate gains, given continuing political stability. Overpopulation and the lack of resources and effective institutions, however, will keep the Haitian economy among the world's poorest.

142

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(continued)

JORDAN: Elections for officers of the government-controlled Arab National Union (ANU), Jordan's only legal political party, may serve more to accentuate local animosities than to cement national unity. The scramble for positions on the ballot has already led to intra-tribal feuding in the north and could result in some localized violence during the elections, which start today and continue over an extended period. The Jordanian Government, at the insistence of the late Prime Minister Wasfi Tal, founded the ANU in 1971 to undercut radical movements, especially among Palestinians, by bringing East Jordanians and Palestinians together in a mass political party. Most Jordanians, however, do not take the ANU seriously and would be happy to see King Husayn scrap the organization altogether. He will nonetheless probably allow the elections to proceed, only taking steps to ease the tensions they have generated. 2

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